

**Quality or Quantity? Factory Outlet Center Planning and
Development as A Retail Innovation in Beijing**

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Abstract

Since the introduction of factory outlet center, the Yansha Outlet, to China in 2012, over five hundred retail centers have been constructed under the name of “outlet”. As a new format of retailing and due to the “over-construction” of it, factory outlet has caught large attention of developers, consumers as well as professionals. Based on previous research, this thesis examines the macro factors, including government regulations and transportation and micro factors, including institutional characteristics that may influence the development and performance of factory outlet center. The thesis analyzes four outlet shopping centers in Beijing and collects data through government documentation, second hand data, interview, site visit and survey. The analysis shows that government regulation and planning, driving convenience, discounts and other factors have large effects on the development and performance of factory outlet center. Finally, suggestions are given from planners’ perspective.

Key Words: Factory Outlet Center, Macro and Micro Factors, Case Study, Planner

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1. Introduction and Research Background

1.1. Background

Within China the past three decades have witnessed rapid growth in economy and continuous increase in personal income. Along with that was the dramatic development of retailing. Retail industry has experienced structural evolution in cities. Guy (1994) suggested that retail status could be categorized into different formats: traditional “high street”, shopping center in city center, and retail ribbon and regional mall in suburban area. While “high street” and retail ribbon were naturally formed, shopping center and regional mall were often planned by governmental department. Factory outlets are one of those retail formats requiring comprehensive planning, for they usually have large volume and can exert significant impact on regional economy.

As a new format of retailing, factory outlet has caught large attention of developers, consumers as well as professionals in retailing. A large outlet project is often seen as an economic engine of the region for it contributes a large amount of tax revenues and offers significant employment opportunities. For consumers in China, factory outlet has attracted growing interests because it not only gives a channel for famous brand names at a fair price, but also creates a place where people can enjoy shopping, catering, gathering and entertainment together.

The origin of factory outlet format dated back to 1970s in Reading, Pennsylvania, USA. Then in the early 1980s the number of outlet centers grew dramatically. It also allowed manufactures to make products they over produced for traditional retailers that has changed over the last 15 years. This kind of shopping format became super popular because it offered an “attractive, modern, accessible retail environment from which manufactures sell their brand name products directly to the public at substantial discounts” (Jones, Whitehead and Hillier, 1997). In a report issued in 2012, there were 185 outlet centers in the USA.

The introduction of factory outlet center to China was the Yansha Outlet in 2012. After that over five hundred retail centers have been constructed under the name of “outlet”.

Despite the fact that rapid growth of factory outlet centers, studies about them remain limited. Little research has studied factory outlet as a unique retail format in the context of economic development and planning. Most of the research only studied retail industry as a whole. Some of them only considered the format of shopping center, which was a broader concept different from factory outlet centers. Wang (2011) conducted a systematic review of shopping center development, especially in China. The author first discussed the importance of shopping centers and gave overviews of the development of shopping center in U.S.A, Europe as well as China. He used cases in Shanghai and Beijing. By interviewing people who were working in shopping center development industry, Wang pointed out that the industry in China were faced with several problems: First of all, shopping centers in China have not been paid much attention to the concept development from the beginning; second, shopping center developers didn't build enough parking spaces, which reflected a severe shortage in commercial planning; third, some projects were weak in design; fourth, developers sold out the units in shopping centers for "quick" cash back instead of long term investment; finally, the author mentioned the government's weak commercial planning has led to over competition. The research made by Wang (2011) gave us a good sense in shopping center development in China. Nevertheless, two aspects might be interesting to explore deeper: first, as a unique format, how was the development of outlet center in China; second, what specific factors have imposed significant influence on the development and performance of factory outlet center?

1.2. Statement of Problems

Since the first opening of Beijing Yansha Outlet in 2002, over five hundred retail complexes have been constructed under the name of "outlets" in China, which have overpass that in the U.S.ⁱ. A 2004 national standard of the factory outlet seems too late to regulate the disguise of the concept. Considering its new introduction to China (only a decade), such boom is incredible and seems out of control. Despite the remarkable quantity, the "quality" of factory outlets is varying. Few of the stores can be treated as "real outlets" due to reasons including the lack of famous brands, limited space or unsatisfied customer flow. Many of them are struggling while only a few maintain

successful businesses. In addition to that, local governments or district level governments in cities like Beijing are competing for investment and providing policy privilege for outlet store projects without relevant planning, most of which, as mentioned before, have resulted into economic loss or even bankruptcy. An anchor institution theory can be implemented to explain government's behavior towards factory outlet centers. In order to attract income-producing land uses, municipalities employ economic development incentives as accelerated zoning code approvals and/or amenity or infrastructure improvements, including open space (parks, gardens), transportation (highways, bike lanes, parking), services (schools, police stations) or other large projects (Birch, 2014). Considering their large volume, huge amount of investment and benefits on local economy, factory outlet projects are the "income-producing land uses" that local government wants to attract.

It's interesting and important to learn about the root of the large quantity and varying quality of factory outlets from planning perspective, since factory outlet centers are such a new retail phenomenon and economic entities that cannot be ignored. To understand the root, we should take a comprehensive study on two main directions: macro factors that how regulations and planning policies affect factory outlets, transportation issues and, micro factors that how characteristics of each case have contributed to its success or failure. As for macro factors, we reviewed regulations and planning related to factory outlets in Beijing. For micro factors, we conducted a survey and site visits to collect data for individual factory outlet case. A few interviews of experts in retail and planning fields were also conducted to gain professional views and perspectives towards both macro and micro factors.

1.3. Purpose of the Study

The main objective of this thesis is to examine the possible factors that lead to the performance and development of outlet shopping malls in Beijing. To address the various possible reasons that affect the outlet shopping centers, the thesis looked into governmental planning regulations as well as the operation issues of the outlet center itself based on qualitative analyses. Multiple data collection methods were implemented to illustrate this new retail format in China. Finally suggestions will be made based on the

study. The aims of this article are twofold: first, to provide theoretical overview of factory outlet as a new retail format and better understanding of the origin of the success and failure of outlet stores; second, try to solve the problem and provide cases for future development references.

The research questions are: What factors have contributed to the success and failure of outlet shopping malls in Beijing? How do these factors influence the performance and development of them?

We propose that the problems are due to the lack of timely standardized market regulations and the lack of understanding of consumer preferences. To be specific, factory outlet is experiencing a struggle at this time, because corresponding regulations are in omission and the ability to provide favorable discounts on famous brands and desirable shopping environment is also insufficient.

2. Literature Review

Is it really true that the retail market of outlet center has already been saturated or even surplus? A fact that should be noticed is a large number of retail stores under the name of “outlet” but few of them are successful businesses. Some argue it is due to the governments’ fragmented planning and policies. Some believe the market is lack of regulation and the name of “outlet” is abused. Others think China is in a retail booming period that never exists in the western history and therefore is struggling with operation and management. Some professionals, however, believe it is not the fragmentation of governments but the problems rooted in the retail industry itself that lead to the over construction of “outlets”. One of my interviewees, for example, thinks that the development of retail in China is too fast. Many formats of retail were not gradually emerged but introduced from abroad within a very short period of time. They call this period a “Retail Revolution” (Li, 2003). Therefore, developers sometime misunderstand the market and invest in a retail format that is not appropriate.

Some other researches, instead of focusing on the broad picture, have dug into outlet project cases to find out factors that have influenced their performance. Whyatt (2008)

examined what is important to the UK factory outlet center shopper. He used consumer questionnaires as the method to explore the respondents' decisions when selecting a factory outlet center to visit and shop. His research has concluded three attributes that attracted consumers and a list of characteristics of the factory outlet center in order of importance to consumers based on the questionnaires. The three attributes were high quality of the goods on sale, the big discounts available and the wide choice of products and the low prices. For this list of characteristics, first and the most important, the center should have the consumer's favorite designer or brand names. Second, there should be a wide range of shops in the center. Third, the center should have a good choice of clothing shops. Fourth, it should locate physically near the consumer. Fifth, it's better for the center to be just off a motorway because the consumer can drive conveniently to shop. Last, the center will be chosen because there are nice places to eat and playgrounds for children. Wyatt's (2013) research took multiple factory outlet centers into account and implied that the differences between cases have contributed to the attractiveness of consumers and therefore the performance of the center.

Many scholars have discussed factory outlet as a format of retail shopping center but not many have studied it from a comprehensive social economic view and planning perspective. This thesis pursues multiple approaches to explain such phenomenon including a planning perspective by governments and a retail business perspective. In other words, it is aiming at providing a whole picture of factors that influence the development and performance of factory outlet centers on both a macro perspective and micro perspective. The macro perspective includes government's role in the planning of factory outlets, regulations related to retailing as well as transportation system. The micro perspective indicates the characteristics of individual factory outlet center, such as location, service provided and reputation.

2.1. Macro Perspective

When dealing with the problem in the process of factory outlet center development in the context of China, governments' role should definitely be taken into account. The outlet center craze is not only a matter of commercial management and operation but also problem of planning and policy. As Wang (2011) argued that when there was retail

centers (investment) in a very concentrated area invited by the government, for sure in the end few of the projects would be successful. The author also stated that Chinese government strictly controlled the land zoning (by plot bidding and permit issuing). Nevertheless, once the developer won the bidding of a commercial plot there was little control on what percentage of retail or office use in the project and thus unhealthy competition might appear.

To understand local government's role in outlet development, we have to know the planning and administration hierarchy and mechanism. According to Urban and Rural Planning Law, for each city, there are a comprehensive planning and regulatory planning. In the comprehensive planning, the city government makes overall principles of the cities' planning. In the regulatory planning, the city government decides land use in specific regions of the city. Under the city government are the district level governments, which have their own planning following the principles and directions in city level planning. Based on these planning, local governments made policies for outlet development. Retail business especially outlet business has a very tight relation to the local government because urban land is owned by the nation and in fact managed by local government. Outlet developers purchase tenure (of a certain period, usually forty years) from local government based on lawsⁱⁱ and at the same time, local bureaucracy formulates policies that attract investment from private developers.

Many scholars have analyzed the changing nature and role of governments in China's economic development, especially the fusion of political and economic power of local governments. First of all, Lu (2000) believed that Chinese local governments were willing and able to apply their administrative power and to channel local resources in promoting the transformation and balance of economy. They sometimes used public policy tools to distribute productive resources rather than relying solely on the market and gear economic policy to promote economic growth (Wong, 2004). Secondly, according to Oi (1995), the local state is similar to a large multilevel corporation. Local officials acted like managers and executive officers. Thirdly, some scholars believe that because of the need for revenue generation purpose, local governments went into business. Wang and Song (2008) argued that the bureaucracies conducted entrepreneurial

activities and tended to run their own business, which was generally perceived to be rent seeking, corruption, inefficiency and waste of resources.

In Wang and Song's (2008) study, they describe how the Chinese governments acted in developing the economy in the reform era of retailing. In their model, local states displayed a strong orientation of economic maximizing but also suffered from the problem of fragmented administration, inconsistent regulatory system, and market-distortion. They used a case study of Beijing retail sector and argued that power and authority were diffused among different levels of governments as well as social economic actors. What's more, there was no coherent and well-defined regulatory framework. Besides, the interests of the government tend to be always switching and differentiated from each other.

Compared to advanced economy, China's local governments play an essential role in attracting investment and promoting economy. First of all, it is a natural heritage that the government interferes market because of the planned economy before 1978. Second, even though China has practiced market economic reform since 1978, the market is still immature and government has to invite investment and capital based on regional comparative advantage (Wang, 2005). Third, economic growth is one of the dominant criteria to evaluate the performance of government. Nevertheless, Li and Liu (2004) believed that local governments' efforts on investment attraction and economy promotion had some positive effects such as effectiveness, increasing employment and infrastructure and environment improvement.

Wang and Song (2008) have studied the initial incentives and achievement of Chinese local government to promote economy and channel resources for retailing. Outlet was seen as a popular format and economic enhancing trigger. However, government policy and regulation may consist uncertainty and many of them ended up in short-term leasing (Wang and Xu, 2002). The lack of effective planning and a transparent approval process may also lead to irrational retail patterns (Wang, Zhang and Wang, 2006). Some business and research organizations like Outlet Chamber of China have been established to solve the problems and guide outlet development but yet remained immature. Planning and policy fragmentation happened between city and local level government, different local

bureaucracies as well as government and other organizations. In-depth study is needed to explore urban planning and regulatory policy since no such large business project can be carried out without government in China.

The incentive behind retail promotion and inviting outside investment of China's governments has its intrinsic root and nature. Wang (2005) conducted economic analysis of government attracting outside investment. She said that local governments enhanced regional competitiveness through inviting outside investment and resources. She listed tools that local governments implemented: First, deducting the price of using land; second, using fiscal tools such as subsidy; third, offering public service and infrastructure; fourth, providing some direct regulation on firms. She used Matrix Game Theory Model to analyze the possible outcome of governments' behavior of inviting outside investment. The conclusion was local governments should make the use of regional comparative advantage and make differentiated strategies. If there were no local advantage for a certain kind of business, inviting outside resources might lead to overall revenue deduction.

Retail industries have provided increasing economic benefits to cities as a result of the growth of family income and the positive change of people's attitudes towards consumption. Therefore, local governments use policy tools and political strategies to facilitate shopping activities. These policy tools and political strategies are significant factors to be considered while we are exploring the development of factory shopping malls as a new format of retail. In fact, we can learn from the policies taken to stimulate the development of retail in other cities and use them as reference to evaluate the policies and regulations in our cases.

In Collis, Berkeley and Fletcher's (2000) research, they examined retail decline in Atherstone, a small market town functioning as a district shopping center in North Warwickshire. They also provided an evaluation of the policy options available for district shopping centers. In their case, Atherstone has applied a variety of policies for its retailing. The policies can be classified into four categories. First, the town tried to enhance accessibility by increasing parking spaces near the main shopping areas and subsidizing public transportation services. Second, the town seek to improve amenity by

stimulating utilizing of vacant unites, funding a program of improvements to shop fronts, proposing appropriate and effective developments and events in the town. Third, efforts and strategies were also taken to attract multiple stores including an anchor store to the town. Fourth, the town has established forum group to steer the planning, implementation and monitoring of the strategy. These policies and strategies, Collis, Berkeley and Fletcher (2000) concluded, have strengthened existing retail, the provision of services and the shopping environment. Even though this case in Britain is a lot different from cases in Beijing, we can generate useful lessons from their research about actions government can take to promote retail economy and how those actions have worked out.

2.2. Micro Perspective

Despite government's influence on the development of factory outlet, we cannot deny the fact that there is a huge gap between the performances of different outlet shopping malls. Even though factory outlet is a relatively new retail format in China and there is little experience to learn since the development of retail in cities like Beijing is unique compared to that in the United States and in Europe, we can observe some successful examples. It's interesting to explore which factors have contributed to the success of some factory outlet as well as the failure of others.

Scholars have conducted many studies regarding these factors. Whyatt (2008) has made an observation of the expansion of factory outlet in the UK and did research about which factors are important to the UK factory outlet center shoppers and ranked a range of choice criteria to better understand why a consumer visited one such center. He believed that as a retailer or investor of a factory outlet center, he or she was required to have a clear understanding of how certain factory outlet center can attract more consumers than others. Thus Whyatt used self-completion questionnaires posted on a UK-based consumer subscription service to explore the consumer patronage decisions when selecting a factory outlet center to visit and shop. The result has demonstrated that for customers of this new shopping format, location and convenience are not key benefits as suggested by earlier research into traditional shopping centers. The variety and range of store brand names, the cost of the product are the key enticements. The result has also indicated three quarters of respondents visited factory outlet center with friends. In other

words, shopping in outlets can be seen as a social activity rather than purely purchasing something. Therefore shopping centers need to address the needs of various customer segments and purposes.

Kim and Kang (1997) believed that the changes in retail trend and the emergence of new retail formats such as factory outlets have been prompted by shifts in consumers' socio-economic conditions and shopping patterns. With a variety of shopping options along with consumers' changing expectations in shopping, consumers apply multiple criteria in selecting retail outlets. Thus, retail centers must find ways to differentiate itself and modify their marketing strategies to enhance performance and to be consistent with customers' specific shopping orientations and needs. In their research, they built a model with four variations: demographic characteristics, retail attributes, shopping costs and shopping outputs. Then they conducted interviews of around forty people, including professional and non-professional males and females. What's important for this thesis is the classification of the retail attributes. They identified six categories of factors: discounts (being able to find real competitive prices and discounts), service, institutional image, convenience (transportation and movement in the store), atmosphere, easy return (a money-back guarantee) and selection (being able to find famous brands). These are a good reference to decide which areas we should take account while studying the cases in Beijing.

Besides, we can learn what kind of factors should be looked at from studies of shopping centers. Vernor, Amundson, Johnson and Rabianski (1993) believed that the successful operation of a shopping center is based on a number of economic relationships. They used six criteria to describe the nature of shopping center: shopping center size, anchor tenant, type of products sold, site size, distance and travel time and customer base.

2.3. Methods to Study the Factors

Previous research can also shed light on the methods that are available to apply when we study the macro and micro factors. Fernie and Fernie (1997) have studied factory outlet centers in the UK and other European countries. They employed a case method in their research. Topics discussed included the current status of existing centers, implementation

of planning policy and the assessment of the future for factory outlet centers in the UK. Their research started with the introduction of the factory outlet center format into the UK market. Then they assessed the impact of changing government planning policy towards out-of-town retailing on developers' plans for UK development of factory outlet centers as well as developers' strategies to counter the growing strict of planning regulations. Factory outlet centers in the UK have encountered similar problems currently happening in China. First of all, the quality of the centers varied. In the summer of 1997, there were 15 factory outlet centers in operation but only six of these were of sufficient size to be classified as US-style developments. Moreover, supporting policies were carried out because local authorities welcomed this format not only as a source of stimulating employment but as means of regenerating the productivity of nearby shopping centers which have suffered from losing consumers. After a fast growing period, policies have changed. The tightening of policy with regard to out of town development encapsulated in the government's Planning Policy Guidance Notes (principally PPG6 and PPG13) has made it very difficult for further factory outlets to process planning permission.

Other research has used surveys as a method to collect data they needed. These surveys can be classified into two types. Some scholars have paid attention to the patronage behavior of outlet mall shoppers. In Karande and Ganesh's (2000) research, data are collected from 182 shoppers at a factory outlet mall in northeastern US. Four different reasons for shopping at outlet malls are identified using factor analysis: price and value, merchandise, recreational and time saving and deal seeking reasons. Another type of investigation focused on retail experts. Byrom (2005) for example, has employed an analysis of variance (ANOVA) strategy to examine how the use of different datasets varied. A postal questionnaire was distributed to approximately 200 locational planning managers as professionals to probe the use of data in decision-making based on these experts' experience and opinions. Similar strategies are used in my thesis that data are collected from both consumers and experts.

Although systematical research has been conducted governments' role on economic and retail development and factors that contribute the performance of factory outlet centers,

through literature review we could find that previous studies are insufficient in three aspects. First, few attention was paid to the governmental regulation of this new retail format of factory outlet. Considering its recent booming and phenomenal impact on China's retail market as well as urban planning, research, especially about governments' role on this specific retailing format is needed. Second, few academic studies focused on factory outlet case in Beijing even in China. Although we can learn from the model and research studying cases in the United States and UK, a comprehensive analysis and observation of factory outlet cases in China is necessary because of the uniqueness and location social economic conditions in this new market. Third, an overall analysis of both macro and micro factors that influence factory outlets has not been built. It's helpful to launch such a systematic and comprehensive evaluation of the factory outlets in China. In this thesis, factory outlet centers in Beijing will be the main case study subjects. Although conditions may differ from case to case, such in-depth study can indicate clues to solve the problems and shed light on understanding the success and failure of factory outlet centers.

3. Methodology and Case Demonstration

3.1. Research Design

To explore the reasons of why there is an over-construction of "outlet" stores and address the factors that affect the development of outlets in Beijing, this research employed a case study strategy in Beijing. The reason of choosing Beijing as the case is as follows. First of all, Beijing is a center of economic and business and it has a relatively mature and complete market of outlets. The first outlet store was opened in the city. Thus we can base the research on a relatively complete history of outlet development. Second, Beijing has a large number of outlet projects, including those most famous and successful ones. It is easier to visit individual project, make comparisons and collect data than other cities. Third, the documentation of regulation, open data and interview of certain people are easier to approach since Beijing is the location of central government and many other organizations. For example, the Outlet Chamber of China is located in Beijing.

In order to address this issue of the development and performance of factory outlet shopping centers, first we have to find out which factors have influenced the performance and development of outlet shopping centers. In Kim and Kang's (1997) model, they provided several factors that may affect how much people spent in shopping centers: discounts (being able to find real competitive prices and discounts), service, institutional image, convenience (transportation and movement in the store), atmosphere, easy return (a money-back guarantee) and selection (being able to find famous brands). Based on this and the fact that our research is from a planning and broader perspective, we consider the factors in three big categories: governmental regulation, transportation (public transportation and driving) and institutional characteristics (including discounts, service, image, atmosphere design and selection).

Then, this thesis conducted case studies of four outlet shopping centers in Beijing. These four cases serve as representatives and examples of factory outlet centers in Beijing. By probing into them, we can combine theories with implication and conclude the uniqueness of outlet market in Beijing. The four cases include Yansha Outlets Shopping Center, Scitech Outlet, Capital Outlets and Tianlan Outlets. Yansha Outlet Shopping Center was the first outlet center in China, which can be seen as a landmark in retail development. It also has the largest amount of annual gross sales. Scitech Outlet has learned a lot from American and European design styles and therefore gives consumers a similar feeling with typical American factory outlets like the Woodbury Common Premium Outlets in New York. Capital Outlets has the biggest business area among the outlet stores in north China and is currently opened, which make it an interesting case to study. While the first three are usually seen as successful examples, Tianlan Outlets, which locates in the center of Beijing, however, is struggling in the competition. Thus it is also included in the case study to provide more reasonable and comprehensive perspectives.

Besides the cases, this thesis uses data and information collected through documentation review, open sources website exploring, survey and interviews to examine and evaluate the factors that may affect those four cases.

A finding section will follow the cases. In this section we built up a linkage between the factors and the performance and development of outlets. In other words, we used the data collected to represent each factor and then found out what it told us about the outcomes of different cases. By talking about the mechanism of how those factors have influenced outlet shopping centers, we are able to come up with planning strategies of factory outlets.

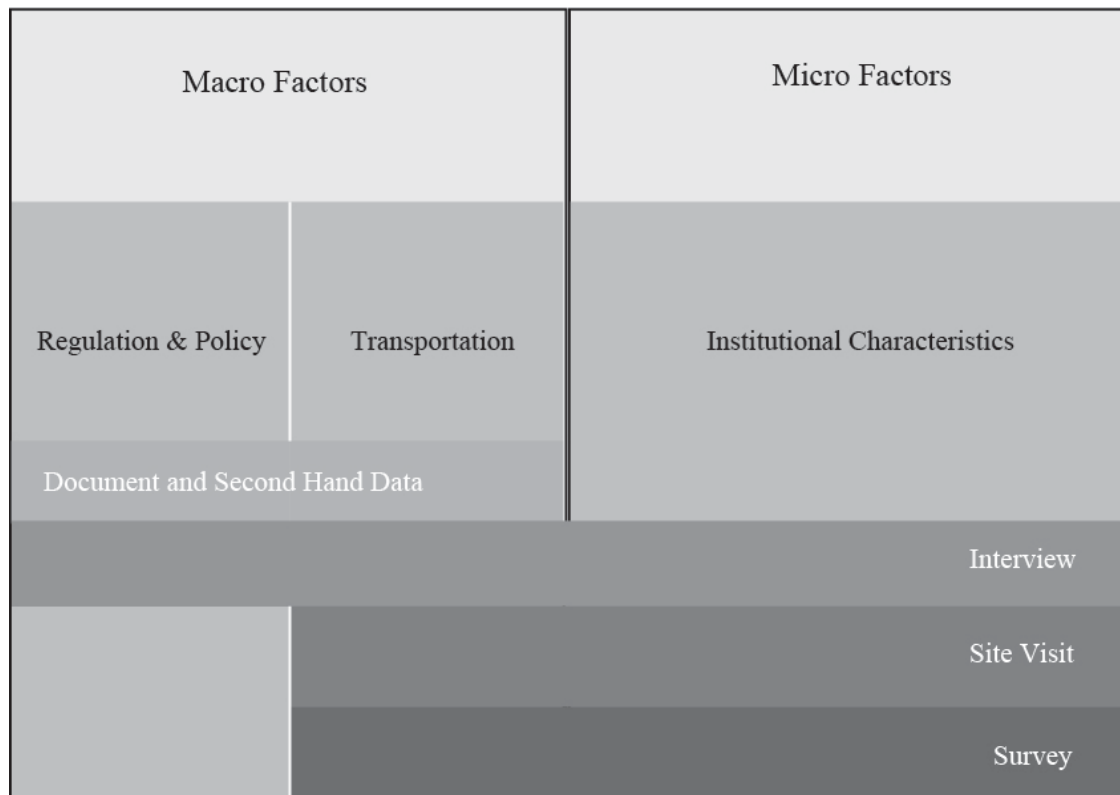


Figure 1: Methodology and Data Collection

3.2. Data Collection

The data of this research included documentation, second hand statistics, site visit records, survey and interview. The purpose of documentation review is to collect data for the “governmental regulation and planning” factor that influence the development and performance of factory outlet centers. It can also contribute to the discussion of how government affect factory outlet centers. The purpose of collecting second hand data is to provide basic information and background of our topic. Besides, we need some statistics to support the arguments. The data gathered from site visit is used to build the framework of case study. By visiting those factory outlet centers we can collect first hand data that

directly illustrate the conditions of outlets. The objective of the survey is to understand the opinions of consumers and comprehend their logic of choosing a factory outlet center. Lastly, the objective of the interviews is to understand retailing experts and professionals' idea towards the development and performance of outlet centers. Their expertise and experience will provide us with new perspectives and possible solutions to solve the problems emerged.

The article first involved documentation of regulations and policies such as land use control, definition and commercial regulations along the time. For example, the Classified Guide for the Development of Beijing's Distribution Sector in 2003, 2004 and 2005 (Wang, 2011) described discount outlet as a new format of retail and encourage the investment of this format. More than that, we have reviewed the Twelfth Five-Year Plan of Fangshan District talking about the Capital Outlets and the 2002-2010 Commercial Development Planning of Chaoyang District where Yansha and Scitech Outlets locate in. We also take a look at the Commercial Network Development Planning of Beijing.

Comparing these regulations and planning to the development of outlet stores, we can see the rapid change of market and the reaction of bureaucracy. During the time local governments have been greatly empowered and bestowed with tremendous autonomy and responsibility in economic growth because of decentralization reforms (Wang, 2011). The documentation review may give us a sense of governments' behaviors and how they have influenced factory outlet centers.

The use of second hand statistics is also vital. The data collected is from open source websites, including economic data such as annual gross sales and revenue from company websites and annual reports. We also collected a list of outlets stores from the website based on name searching. This kind of data provides us a general background of our topic and an evaluation of the operation of outlet centers.

In the last step of data collection, the author of this thesis conducted several interviews, a survey and four site visits. The interviews were conducted from different aspects with experts and professionals from different fields. The key information the author intended to collect through the interview was professional opinions about the development and

performance of outlets and the strategies and solutions to the problems of outlets operation. The interviewees include experts from the Outlet Chamber of China, the China Academy of Urban Planning and Design and Tsinghua University.

We have conducted a survey of seventy consumers' opinions was conducted in the Capital Outlets. We design this survey to have a better understanding of consumers' preference and opinions towards outlet shopping centers in Beijingⁱⁱⁱ.

The four cases are Yansha Outlet Shopping Center, Scitech Outlet Mall, Capital Outlets and Tianlan Outlets. The Cases will be further introduced below.

3.3. Cases

The purpose of site visit is to gather an overall and direct view of the operation and design of outlet centers. Four site visits were conducted. Figure 1 shows the locations of the four cases in Beijing. The fourth ring road can be treated as the boundary of new city center of Beijing because most large companies and institutions are located in the ring. The commute time between east and west or north and south within the ring road is no more than one hour. Two of the outlet shopping centers locate inside the fourth ring road and the other two are outside.



Figure 2: Location of Factory Outlet Centers in Beijing

Data Source: Outlets' Official Website, Base Map: <http://asiaotaku.com/beijing-tourist-attractions/>

3.3.1. Yansha Outlets Shopping Center

Yansha Outlets Shopping Center was opened on December 18th 2002. It was the first outlet in China, which can be seen as a landmark in retail development. The shopping center locates in the center of Beijing, on the southeastern fourth ring road. Yansha Outlets is consisted of three separate blocks (Block A, B and C) and more than 3,000 parking spaces. Its total business area is around 100,000 square meters. It attracts 40,000 customers per day. Yansha Outlets combines two styles in the outlet center. While Block A and B are similar to traditional department store, Block C operates as a shopping mall which rents its spaces to multiple retailers and tenants though both of these two styles are interior enclosed (see Figure 2).



Figure 3: Block C of the Yansha Outlet Shopping Mall
Source: Photo Taken by the Author

3.3.2. Scitech Outlet Mall

If the design of Yansha Outlets Shopping Center is still close to department stores, the Scitech Outlet is a typical American style with an open-air design (see Figure 3). Opened in July 2009, Beijing Scitech Outlet Mall is located within the prestigious villa area of Xianjiang north road in Chaoyang district. It is the preferred shopping destination for premium brands at discounted prices.

Fashion's biggest names, including Armani, Bally, Burberry, Coach, Dunhill, Ermenegildo Zegna, Max Mara, Nine West and Zegna, have all settled in charming boutique stores in an immense new outdoor village with authentic Colonial, Victorian, and Classical architecture – the first of its kind in China (see Figure 4).

With over 45,000 square meters business area, 5,000 parking spots, a free shuttle bus from Scitech Plaza, and a subway station on Line 10, the outlet is the easiest one to reach via public transit among the four sites visited.



Figure 4: Scitech Outlet Mall
Source: Photo Taken by the Author



Figure 5: Floor Plan of 1F, Scitech Outlet Mall
Source: Scitech Outlet Mall Official Website

3.3.3. Capital Outlets

Located in Beijing's Fangshan District, Beijing Capital Outlets, the biggest outlet store in north China, opened in May 1, 2013 and will gradually evolve into the ultimate one-stop location for shopping, leisure and domestic consumption for consumers in Beijing, Tianjin and the Hebei Province (see Figure 6). The Capital outlets have near 110,000 square meters floor area and around 2,000 parking spaces. It houses more than 200 global and local brands, including ARMANI, Timberland, IT and Hush Puppies. Only a stone's throw from the Libafang Station of the Fangshan and ninth subway line, the outlet is in close proximity to the Beijing-Hong Kong-Macau Expressway (see Figure 5).

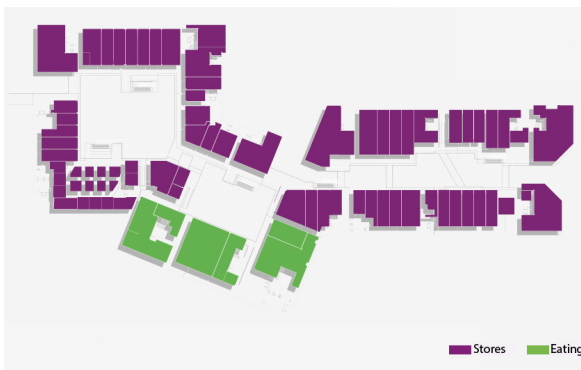


Figure 6: Floor Plan of F2, Capital Outlets
Source: Capital Outlet Official Website

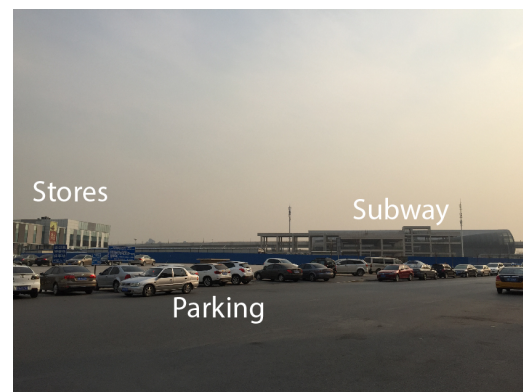


Figure 7: Capital Outlets
Source: Photo Taken and Modified by the Author

3.3.4. Tianlan Outlets

Tianlan Outlets, which has cost around 40 million yuan (\$ 6.45 million), locates on the north third ring road, where is a true city center location. The business area is more than

10,000 square meters (Geng, 2009). However, this outlet store did not perform as expected. The Outlet Chamber of China even didn't consider it a real "outlet shopping center". It located in a building that had many other tenants and was lack of place. It had a minimal street exposure that the front door of the outlet store was squeezed with the ones next to it (see Figure 7). The parking spaces were also limited. The inside spaces looked crowded and there were no famous international brands (see Figure 8).



Figure 9: The Front Door of Tianlan Outlets
Source: Photo Taken by the Author



Figure 8: Inside Design of Tianlan Outlets
Source: Taken by the Author

We can see the summary of these four outlet shopping centers in Table 1. First we can notice that every factory outlet has public transit stations near its site though there are some differences. The only one, which does not have a subway station nearby, is Yansha Outlets Shopping Center. There are 19 bus lines going to Tianlan Outlets, which is the most among the four. Second, the area of Yansha, Scitech and Capital are all above 100,000 square meters. However, Tianlan Outlets only occupies 10,000 square meters, one ten of the area of the other three. Parking spaces are another interesting thing I found. Tianlan Outlets has only street parking and have to share with other retailers and tenants. Capital Outlets, even though has 2,000 parking lots owned by itself, fell short in this facility considering its large size and customer volume. Furthermore, we can find a huge variation of the design style. Since Yansha is a new and earlist attempt in the retail market, it has combined the design of a department store and a shopping mall. The design of Scitech has learned a lot from factory outlet in the U.S., in which the retail stores are not interior enclosed in big box anymore.

Name	Yansha	Scitech	Capital	Tianlan
Year Opened	2002	2009	2013	N.A.
District	Chaoyang	Chaoyang	Fangshan	Haidian
Public Transits	12 bus lines	1 subway, 2 bus lines, free shuttles	1 subway, 2 bus lines	1 subway, 19 bus lines
Area	100,000	150,000	110,000	10,000
Parking Spaces	3,000	5,000	2,000	Street Parking
Style	Department Store/Shopping Mall	American Outlet Center	Shopping Mall	Department Store

Table 1: The Four Cases Summary

Source: Site Visit Data, Official Websit and www.bj.xinhuanet.com

3.4. Survey Results

Multiple Choice

1. Factors		2. Problems of Outlets		3. Other Outlets Heard	
Public Transit	15	Public Transit	6	Yansha	55
Near Home	8	Location	15	Scitech	49
Driving	51	Driving	13	Surprise	8
Favorite Brand	47	Favorite Brand	59	Oriental	4
Discount	43	Discount	61	Other	7
Reputation	6	Reputation	25	Haven't Heard	6
Atmosphere	24	Atmosphere	21		
Policy and Planning	5	Policy and Planning	2		
Other	0	Other	0		

Single Choice

1. Outlets in BJ		2. Origin of Consumers		3. Transportation Used	
Too Many	6	Old City Center	0	Subways	13
Not Enough	45	Chaoyang	10	Buses	0
Appropriate	11	Haidian	14	Private Car	57
Cannot Tell	8	Fengtai	9	Walking	0
		Mentougou	1	Bicycle	0
		Daxing	3	Other	0
		Fangshan	29		
		Other District in BJ	4		
		Other City	0		

Table 2: The Result of the Survey Taken by the Author in Capital Outlets

The purpose of the survey is to better understand consumers' opinions upon the factory outlet centers and based on that, analyze the factors that influence the development and performance of the outlets. The survey was conducted in Capital Outlets and all the

respondents were randomly selected from the consumers shopping and walking in the outlet center. The respondents were asked to answer six questions on a questionnaire, including three multiple choices and three single choices. There were 70 effective questionnaires collected. The respondent rate is 100% because I distributed the questionnaire one by one and every respondent was nice. The result of the survey is as in table 2, the number after each option indicates the number of respondents who selected the option as the best description as their choice

The result of the survey has revealed several interesting facts. First, the factor that consumers care the most while they are choosing and evaluating a factory outlet is driving convenience including the satisfactory of parking facilities. Other vital factors ranking in order of importance are: “having famous and named brands”, “providing competing discounts” and “offering enjoyable atmosphere”. Second, most of the consumers have selected that the shortage of famous brands and the unsatisfied discounts are the main problems existing in current factory outlets. Third, it should be admitted that the branding and advertisement of factory outlet shopping centers still need improvement because most of the respondents only know Yansha and Scitech (and Capital). The rest of the factory outlet centers have very limited impact on the market. Fourth, even though there are a large number of shopping centers named “factory outlet” in Beijing, it can be shown in the survey that most of the respondents are not familiar with them. That’s why they selected that there are not enough factory outlets in Beijing. Fifth, the result of origin of consumers indicates that the consumers are from a variety of districts in Beijing so that target customers are not limited in the district where the factory outlet locates. A gigantic shopping destination like Capital Outlets has a large impact radius that even covers almost the whole city. Finally, most of the consumers drive a car to factory outlets and a few of them take a subway. No respondents have selected bus or walking as the way they visit an outlet center.

4. Findings and Discussion

The factors that may have an influence on the performance and development of outlet shopping centers are macro: governmental regulation and transportation, and micro:

institutional characteristics. For governmental regulation, we mainly reviewed the Classified Guide for the Development of Beijing's Distribution Sector, the Twelfth Five-Year Plan of Fangshan District (where the Capital Outlets case locates), 2002-2010 Commercial Development Planning of Chaoyang District (where the Yansha Outlets Shopping Center and Scitech Outlet Mall locate), the Commercial Network Development Planning of Beijing and the Commercial Network Layout Planning of Beijing.

Transportation includes both public transits (subway and bus) and private cars.

Institutional characteristics include the following aspects: 1) discounts, which means consumers are able to find real competitive prices and discounts; 2) services diversity and quality provided; 3) institutional image or reputation of the outlets; 4) atmosphere design, which means the overall design of the site and the convenience in the outlet center; and 5) selection, which means consumers are able to find famous brands and can be evaluated by the number of first-tier brands provided.

4.1. Governmental Regulation

As factory outlet is a new format of retail in the market, governmental regulations should act as a guide and facilitation of this retail option. Regulations should reflect the uniqueness of factory outlet that distinguishes it from other kind of retail format.

However, such specific regulations have not being systematically provided and the lack of guidelines has contributed to the problems of outlet stores in Beijing.

In the National standard of China: classification of retail formats 2004 (Wang, 2011), factory outlet was identified as shopping mall that was generally away from city area, targeting on brand-conscious customers and having more than 500 parking lots jointly owned by all outlets. Government policies like the Classified Guide for the Development of Beijing's Distribution Sector in 2003, 2004 and 2005 (Wang, 2011) encouraged the investment and development of factory outlet stores.

Despite the popularity of factory outlet, governments need to make policies that enhance the rational decision process to prevent over-construction. By using the phrase "over-construction" here we not only mean the quantity but also imply that the quality, the performance of a large number of outlet shopping centers need improvement. Until

March 2015, there are 22 retailing centers under the name of “outlet” in Beijing^{iv}. Five of their names and basic information is as follows:

Name	Area (square meters)	2013 Gross Sales (Yuan)
Yansha Outlet Shopping Center	100,000	3.7 Billion
Scitech Outlet Mall	150,000	2.7 Billion
Capital Outlets	110,000	0.4 Billion
Surprise Outlets	35,000 ^v	N.A.
Tianlan Outlets	10,000 ^{vi}	N.A.
Oriental Outlets	80,000 ^{vii}	N.A.
Longhua Outlets	12,600 ^{viii}	N.A.

Table 3: Stores Named "Outlet" in Beijing

Source: Official Websites and www.dianping.com

The other fifteen outlet centers, however, have not provided open data and therefore their area and gross sales are not available.

Nevertheless, according to my interview with Ms. Shang, an expert from the Outlet Chamber of China, not every shopping mall that named “outlet” is a “real” one that reached the standards. In other words, the problem of outlets is more about quality rather than quantity. In 2013, The Requirement of Operational Management for Outlet Businesses was announced to be release soon by the Outlet Chamber of China to regulate the outlet retailing market and standardize related concepts and confusions. Ms. Shang is the main author of The Requirement of Operational Management for Outlet Businesses. In the final version released in December 2014, outlet was defined as a type of retail selling first class brands (international and domestic) and products designed specifically for the outlet shopping center. Besides, it required that an outlet should reach a 50% of “concentration degree of brand”, which differentiate outlet from a common retail type. The 50% of concentration degree of brand indicates that there are at least half of the brands in the shopping mall should be first class (which is indicated in another document that is not available) to be considered as an outlet shopping mall. Under this standard, Ms. Shang, mentioned, only four shopping malls are considered as the representatives of “outlet shopping malls”: Yansha Outlets Shopping Center, Scitech Outlet Mall, Capital Outlets and Surprise Outlets. The 2013 annual gross sales for Yansha Outlets Shopping

Center was 3.7 billion yuan, the best one since it was the earliest and consumers had recognized its brand. Scitech Outlet Mall was doing a good job as well. Its annual gross sales in 2013 was 2.7 billion yuan, almost tripled that in 2010. For the recent opened Capital Outlets, the annual gross sales in 2013 was 0.4 billion yuan. There was no data for the Surprise Outlets, which was struggling these years. Other stores, though named “outlet”, provided almost no famous brands and large enough business areas. They treated outlets as an advertising strategy by using this new concept.

The phenomenon of outlet craze has led to consumers’ misunderstanding of this new retail format. Some may think outlet stores are places where discount and out of fashion products concentrate. However, the Outlet Chamber of China has little to do about it. The Requirement of Operational Management for Outlet Businesses is an industrial reference rather than a legal document. In other words, it is not illegal that a small department store still names itself “outlet” even though it is actually not and there is no legal enforcement to require a store not to do so. The Requirement of Operational Management for Outlet Businesses now serves as a guideline for new investors and a fundamental industrial standard for future development.

Another possible reason for firms to invest in outlets projects is that they are more likely to be approved by government. According the Constitution, the land in urban area is owned by the state. A developer has to purchase the “usage right” of a piece of land for its project. In addition, the developer should pass a series of examinations verifying that the project is under an appropriate use. The firm that applies for a large outlets project can go through a simpler application process and use a piece of land at lower cost, compared to other land use. This is because such projects usually generate large amount of tax revenues and employment for local government. In order to compete and become eligible for the use of land at favorable location, developers may consider outlets projects.

Residential housing project, which could generate large amount of cash flows and profits, was favored by developers. However since 2010 central government has introduced a bunch of regulations to control the housing market. For example, from January 2010 to January 2011, the required down payment for the mortgage of the second housing unit bought was raised from 40% to 60% (Li, 2013). What’s more, the government controlled

pure residential project by limiting the supply of land to developers. At the same time, if the developer was going to launch a retail project, which might generate constant tax revenue and employment for local government, the application process became much more easier. Base on a research of the official websites of Chaoyang District and Fangshan District, Beijing, we found that outlet shopping mall was classified as the “Key Project” which meant a project that the government favored and encouraged and usually involved abundant facilitation. Under such circumstances, developers tend to prefer a large retail project like an outlet shopping mall when purchasing land to enjoy more benefits, even though some of them are not experts of retail business. However contradict to the popularity of outlets developed by not only retailing developers but also those formerly focused on housing market, outlet shopping malls which have an enhancing performance and sound operation are usually run by firms having plenty of experience in retail industry rather than new comers who are attracted by this new retail format, said Ms. Shang.

Nevertheless, other experts believe cases in different cities vary and the maturity of the city and the retail market has contributed to government’s planning and regulation towards outlets. Professor Dong from the China Academy of Urban Planning and Design argued that, the preference for large retail projects and the over-construction of outlet centers do exist sometime in China, but is observed more often in less-developed second or third tier cities. In cities that Gross Domestic Product (GDP) is one of the main considerations of governmental achievements, developing large retail projects like outlet shopping malls becomes a new way. In cities like Beijing and Shanghai, where retail industry has been developed for a longer time than other cities, the planning and regulation of outlets are made under a strict system based on the population growth, consumption level and local economic development and therefore the over-construction phenomenon is less likely to emerge.

The planning of retail business in Beijing is related mostly to two systems, according to Professor Dong: planning department and commerce department. The planning departments in China basically solve the questions of location and land use. To be more specifically, they make spatial analysis and plans on a certain type of land use. On the

other hand, the commerce departments take care of public private partnership. They are responsible for communicating with firms and managers to discuss which project should be implemented on a certain piece of land. The chosen project should follow the land use planning. The hierarchies of the decision-making system contribute to a complex and relatively rational process in planning. A department is governed in both horizontal and vertical ways. Take Beijing city and one of its districts Chaoyang as an example. When the commerce department of Chaoyang district makes a Commercial Network Layout Planning, it is supervised by the district level local government. At the same time, it should comply with the comprehensive plan made by the city commerce department.

With such a system and a deep understanding of market, Professor Dong believes, governments in cities like Beijing behave rational even though they have the incentive to invite investment. The development of retail business is a reflection of demographic structure change and economical growth. It is more likely in second and third tiers cities that governments channel too many resources to promote economy. The large number of “outlet” emerged in Beijing is not because district level governments invite investment but due to the behavior of individual retail stores. These stores, in order to cater the popularity of outlets, change the name into “outlets” while they are actually not qualified.

4.2. Transportation

Transportation is a key factor that we should take into account when we do research about retail development in Beijing. Whyatt’s (2008) research about consumer’s selection criteria of factory outlet center showed that it was important for an outlet center to be near to the consumers. It’s also vital to be just off a motorway.

When talking about transportation of outlet shopping centers in Beijing, we first divide consumers into two groups: people who use public transportation such as subways and buses and people who drive a car. Consumers who take public transportation are considered because of the fact that two of the four outlet shopping malls in the case study, Yansha Outlet Shopping Center and Tianlan Outlets, locate in the center of city. It’s not like a typical factory outlet center in the United States, which requires consumer to drive to the suburb area. For cases in Beijing like Yansha and Tianlan, consumers can easily

visit the outlets by subways or buses. Even for outlet centers locating beyond the core of city, like Scitech, there are convenient public transportations available to get access to it.

According to Professor Dong, the public transportation, including the bus and subway systems, consist of a convenient and most important, low-cost network of the city. Before price change at the end of 2014, people can reach anywhere within the fourth ring of Beijing (where most shopping malls locate) by subway no longer than one hour with a flat fare of about \$0.33. Therefore customers choose indifferently among shopping stores in the city while only considering transportation cost. In other words, the impact radiation radiuses of retail facilities are enlarged because people who live even far away from a shopping mall can be potential consumers. From Figure 9 and Figure 10 we can see that both the Yansha Outlet Shopping Mall and the Capital Outlets have public transit stations right near their sites. These facilities help promote consumers who don't have a car. Even though there is no subway going directly to Yansha, it has bus stations of 12 lines.



Figure 10: Site Planning of the Yansha Outlet Shopping Mall
Source: Yansha Outlets Shopping Center Official Website



Figure 11: Site Planning of the Capital Outlets
 Source: Capital Outlets Official Website

Driving, especially for outlet shopping malls locating in the suburbs, is a significant factor. As Whyatt's (2008) mentioned in his research, consumers believed that locating just off a motor way, which indicated the convenience of driving, was a dominant factor while choosing a factory outlet shopping center. Factory outlet is targeting at customers who look for named brands and most of this group of people have a relatively high income and drive private cars to shop. Thus the large amount of parking spaces in Yansha and Capital has guaranteed that their consumers enjoy a convenient shopping experience.

The survey conducted in the Capital Outlets has shown consumers' preference and requirement on driving. First of all, about 81.4% of the respondents usually drive a car to shop in the Capital Outlets. Only 18.6% said that they take subways and no one takes buses. It indicates that for factory outlet at a remote location from the city center, most consumers drive to shop. Moreover, 72.9% of the respondents indicated that the convenience of driving and parking is among the most significant reasons to choose this outlet shopping mall.

Another interesting finding is the origin of the consumers. Based on the survey, shoppers not only came from Fangshan District where the Capital Outlets located, but more than half of them traveled from other districts of Beijing (see Figure 11). This result implies at least two things. First of all, people would love to visit their target factory outlet stores in exchange of transportation cost and time. Shopping is acting a growing vital role in people's daily life. With the improvement of efficiency of transportation by the

facilitation of public transit and private cars, distance is no longer a dominant factor for shopping decisions. Second, the radius of factory outlet's influence is huge. Considering its size, it serves as a regional shopping center.

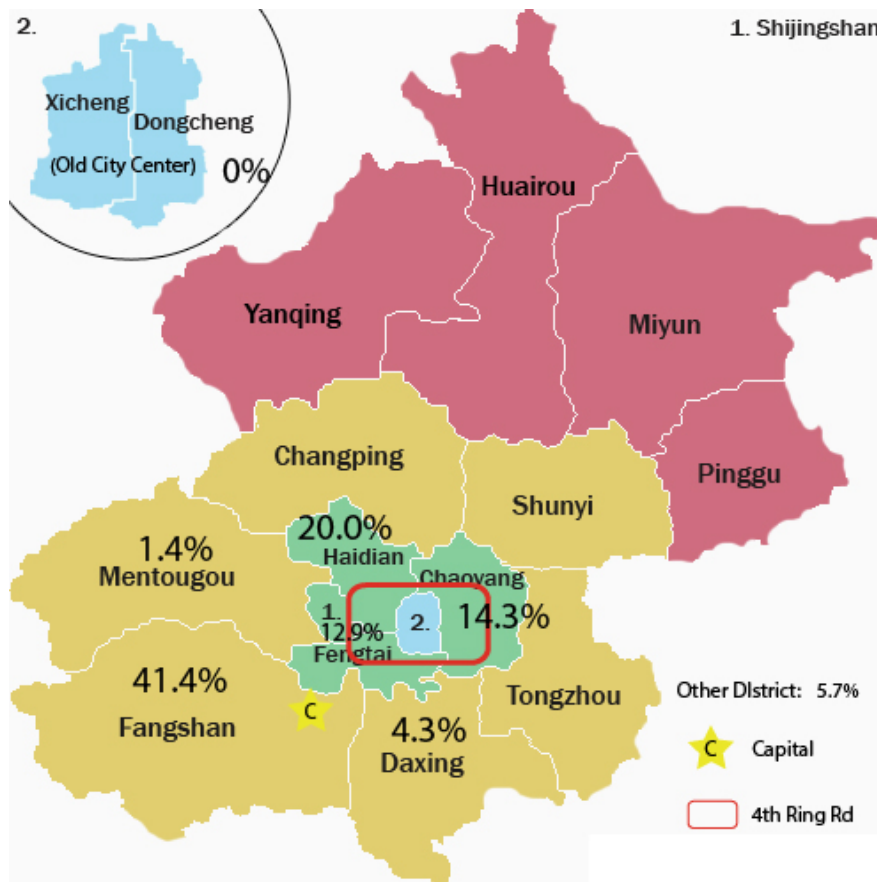


Figure 12: Consumers' Origin of the Capital Outlets

Data Source: The Survey Taken in Capital Outlets, Base Map: <http://asiaotaku.com/beijing-tourist-attractions/>

4.3. Institutional Characteristics

The institutional characteristics of each case is examined by the following aspects: 1) discounts, which means consumers are able to find real competitive prices and discounts; 2) services diversity and quality provided; 3) institutional image or reputation of the outlets; 4) atmosphere design, which means the overall design of the site and the convenience in the outlet center; and 5) selection, which means consumers are able to find famous brands and the outlets can be evaluated by the number of first-tier brands provided.

4.3.1. Discounts

Being able to find quality and competitive prices and discounts reflects recent trend of consumers' value orientation, especially for frequent shoppers of factory outlet malls. There was a 61.4% of the respondents of the survey taken in the Capital Outlets indicated that "having enough discounts" was a factor they would consider as the top three reasons when they chose which outlet shopping mall to visit. 87.1% of the consumers in the survey thought outlet shopping malls should provide more and larger discounts in order to improve their performance. The case visits of the four outlets reflect that all of them have provided significant discounts on most of their products, compared to those sold in traditional stores. Thus the attribute of discounts is a key factor that differentiates factory outlet from other formats. However, discounts are not the only important factor. Further research has shown that it is not whether there are discounts but whether there are discounts for products consumers desire as well as the quality of the environment of the shopping experience that influences the performance of factory outlets.

4.3.2. Services diversity and quality provided

The Yansha Outlet Shopping Mall has provided a wide variety of shopping choices. Customers can easily find their products in one of the three blocks of building. However the problem is the connection between the three "boxes". One has to go out of the gate of a block and walk through a short distance with no cover or tunnel, which makes people feel like they are shopping in three different outlet stores. The unique service offered by the Scitech Outlet Mall is the facilities for pets and it's the first factory outlet allowing pets in China. As we can see the columns for dogs in Figure 12, it caters the needs for a specific group of people like young and fashion guys. The Capital Outlet provides service environment like skating playground (see Figure 13). During the case study there were a crowd of parents playing with their children inside. Tianlan Outlets, on the other hand, didn't provide much service other than shopping. It didn't even have an eating area for the consumers.



Figure 13: Column for Dogs in the Scitech Outlet Mall
Source: Scitech Outlet Mall Official Website



Figure 14: Skating Playground in the Capital Outlets
Source: Photo Taken by the Author

4.3.3. Institutional image and reputation

This thesis examined the reputation of outlet shopping centers by three ways. First of all, it's based on the interview of professionals. As Ms. Shang said, the Outlet Chamber of China only regards only four malls as the representatives of "outlet shopping malls": Yansha Outlets Shopping Center, Scitech Outlet Mall, Capital Outlets and Surprise Outlets. She argued that only these four shopping malls have satisfied the standards of factory outlet. A second way to study the institutional image is to collect its online resources and consumers' reflections. According to the largest daily consumption rating website Dianpingix, Yansha, Scitech and Capital are the top shopping malls in Beijing while the comments on Tianlan Outlets are mostly negative. In addition, there is no official website for Tianlan Outlets, which makes it hard to build institutional reputation and advertising.

4.3.4. Atmosphere design

Consumers shop because of the opportunities to relax and entertain themselves in a pleasant atmosphere. It's essential for frequent shoppers. During the time retailers are faced with growing competition from electronic commerce, the major focus of mall shopping should be making the shopping experiences in the mall more enjoyable, and provide shoppers with multiple reasons to come to the mall (Kim and Kang, 1997) on a regular bases.

For atmosphere design, the Scitech Outlet Mall and the Capital Outlets represent two different styles. The former has learned from the design of American factory outlet centers. It targets at fashion young customers and is a good place for social activities. The latter has built facilities like the skating playground and a lot of restaurants which have attracted many families to visit and shop.

4.3.5. Selection

The last factor, selection, evaluates the availability for consumers to find famous name brands. This is a key factor that distinguishes factory outlets from other discount stores. There is no unified standards of which brand is belong to “famous name” or “first tier”, but we can use a popular brand ranking introduced by Ecker (2013) as reference to see how many popular brands are available in the four outlets. The most popular fashion brand ranking is based on how often the brand name was Googled. In today’s technology based world, the frequency of a brand being searched is a fair way of judging how many people are interested in their products (Ecker, 2013). The availability of these brands (top 20) in each of the four cases is marked as “X” in the table below. We can see Scitech has seven of the twenty named brands, which is the most. Capital has six and Yansha has 5. Tianlan Outlets don’t possess any brand listed below. Therefore it should be regarded as a “discount store” rather than “factory outlet” because of the lack of famous brands.

Brand Name	Yansha	Scitech	Capital	Tianlan
Nike	X	X	X	-
Adidas	X	X	X	-
Polo	X	X	X	-
Coach	X	X	-	-
GAP	-	X	X	-
Vans	-	-	X	-
Michael Kors	-	X	-	-
Converse	X	X	X	-
Total	5	7	6	0

Table 4: Availability of Top 20 Named Brands in the Four Outlets
Source: Top Popular Brands Ranking by Jason Ecker

5. Conclusion and Suggestion for Future Research

5.1. Summary

This thesis focuses on the factors that influence the performance and development of outlet shopping malls under the conditions that factory outlets in China are booming and problems of both the existing quantity and quality of the retail experience. A case study strategy has been employed. Data collected from government documents, second hand resources, interviews, surveys and case visits are utilized to support the argument.

5.2. Conclusion

Based on previous research about governments' role in retailing and models that studied factors that contributed to the performance of shopping malls, this thesis has conducted study of both macro and micro factors that influence the development and performance of factory outlet in Beijing. The study of macro and micro factor has provided a comprehensive overview of multiple aspects of factor outlet development. It has contributed to the study of factory outlet as an innovative retail format in Beijing. The four cases used in the thesis are good examples of factory outlets in Beijing and are worthwhile to probe into deeper analysis.

Two kinds of factors are studied in the thesis: macro factors that include governmental regulation and transportation, and micro factors that consist of following aspects: 1) discounts, which means consumers are able to find real competitive prices and discounts; 2) services diversity and quality provided; 3) institutional image or reputation of the outlets; 4) atmosphere design, which means the overall design of the site and the convenience in the outlet center; and 5) selection, which means consumers are able to find famous brands and can be evaluated by the number of famous brands provided.

The main problem is not the quantity of factory outlet stores is too large but the quality of many stores. Because of the attractiveness of this new retail format to consumers and motivation to channel more resources, there have emerged a lot of outlets but many of them have misunderstood the concepts of “discount stores” and “factory outlet”.

From macro perspective, government's support has facilitated the investment and development of factory outlet centers. However regulations and retail classification policies are still insufficient especially in small cities where retail market is immature. Moreover, the research in this thesis has shown that some consumers take public transit like subways to factory outlet centers but the majority of them drive cars. In order to shop at their favorite stores, some consumers would love to travel a long distance, which is reflected in Figure 11. This is understandable because people who go to factory outlet usually purchase quite an amount of products and they cannot carry that many of bags on public transits. Therefore, parking spaces and the accessibilities to nearby highways are essential for factory outlet centers.

For micro factors, several institutional characteristics are reviewed. The most dominant factor that contributes to consumer's decision for factory outlet is that the outlet shopping mall can offer competitive discounts and to be more specifically, favorable discounts on named brands. Different groups of consumers are also attracted by the differentiated services and design of each center. Factory outlet shopping centers do have the function of friends gathering and family activities and it is becoming increasingly important. Therefore when investing in factory outlet project, investors should be clear of target consumers and specific services they are going to provide.

5.3. Suggestion

Based on the data and analysis, the thesis is trying to provide suggestions for the development of factory outlet in China from a planning perspective.

First of all, timely regulations about retail format classification and naming are needed. The differences between a discount store and factory outlet should be cleared to ensure that the word "outlet" is not abused. When making plans, factory outlet should be taken into account as a unique new format of retail.

Second, as a planner, we can utilize zoning as a policy tool to facilitate the planning of factory outlet. Based on Beijing city's comprehensive planning, each district government can make its own district planning and commercial planning. It calls for an understanding and an in-depth study of local demography and economy and what services government

can provide. There are three aspects planners can look into. One is land use planning. Because the comprehensive city planning only regulates rough land use categories, planners can help district government to make thorough land use planning to specify which area is appropriate for factory outlet. For example, in Fangshan District's five-year planning, Capital Outlet was planned to locate near a tourism district, which may attract tourists to shop along their way. Planners can also investigate the existing zoning and decision whether it is up-to-date. In other words, planners should find out land that need rezoning due to improper use or up-zoning due to current development. Moreover, planners can contribute to the supervision of land use to keep everything on track. Another essential aspect for planners to focus on is transportation planning. How do customers travel to the center? How far will they travel and where do they come from? Since most consumers drive to shop in factory outlet, it can be a good idea to plan an outlet shopping mall near the exit from a highway or at the intersection of main local roads, which provides easy accessibility. Some regulations about street parking and parking spaces inside the mall should also be included to maintain a favorable driving and parking experience. We should also notice from the survey taken in Capital Outlets that most of its consumers come from surrounding areas. Thus transportation plan should take the connection between local residential and commercial areas into account. The last aspect is about infrastructure. Usually large projects like factory outlet shopping centers require relevant utility systems like water, sewer, electricity and even Wi-Fi. A lot of collaboration and negotiations happen between planners and developers about these services.

Third, planners should take the leadership in inter-district government cooperation and cooperation between public and private organizations. For example, planners can conduct conversation between Fangshan and Chaoyang Districts to talk about commercial planning in each district. Planners can also approach to organizations like the Outlet Chamber of China to gain their help while making plans about factory outlet.

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Appendix

Appendix I: Beijing Factory Outlet Centers Survey (English)

Thank you for participating in this survey! This survey includes three multiple choices and three single choice. Please choose the answers that can best describe your choices.

Multiple Choices

1. Which factors do you think are the most important when you are choosing a factory outlet center? (Up to 3 choices)

- | | | |
|---------------------------------------|---------------------------------|--------------------------------|
| A. Public Transit | B. Near Home | C. Driving Convenience/Parking |
| D. Having My Favorite Brands | E. Having Competitive Discounts | |
| F. Factory Outlet Reputation | G. Atmosphere | |
| H. Policy and Planning for the Outlet | | |
| I. Other Factors | | |

2. What problems do you think current factory outlet centers have? (Up to 3 choices)

- | | | |
|---------------------------------------|----------------------------------|--------------------------------|
| A. Public Transit | B. Not Near Home | C. Driving Convenience/Parking |
| D. Lack of My Favorite Brands | E. Lack of Competitive Discounts | |
| F. Factory Outlet Reputation | G. Atmosphere | |
| H. Policy and Planning for the Outlet | | |
| I. Other Problems | | |

3. Have you heard of any other factory outlet centers (except the Capital Outlet)?

- | | |
|----------------------------------|-----------------------------------|
| A. Yansha Outlet Shopping Center | B. Scitech Outlet Mall |
| C. Surprise Outlet Center | D. Oriental Outlets |
| E. Other | F. Haven't Heard of Other Outlets |

Single Choice

4. Do you think the number of factory outlet stores in Beijing is?

- | | |
|----------------|----------------|
| A. Too Many | B. Not Enough |
| C. Appropriate | D. Cannot Tell |

5. Where do you come from?

- | | | |
|------------------------|-------------------------|---------------------|
| A. Old City Center | B. Chaoyang District | C. Haidian District |
| D. Fengtai/Shijingshan | E. Mentougou District | F. Daxing District |
| G. Fangshan District | H. Other District in BJ | I. Other City |

6. How do you come here?

- | | | |
|---------------|-------------|-------------------|
| A. By Subways | B. By Buses | C. By Private Car |
|---------------|-------------|-------------------|

D. By Walking

E. By Bicycle

F. By other ways

Thank you again for your cooperation!

Appendix II: Beijing Factory Outlet Centers Survey (Chinese)

北京奥特莱斯购物中心调查

您好！感谢您抽出时间参与我们的问卷调查。本问卷包含 3 道多项选择题和 3 道单选题，请在您认为最符合的答案前打勾。谢谢！

多选

1. 对于奥特莱斯购物中心，您最在意的是哪方面？（最多选三项）

- A. 公共交通方便 B. 离家近 C. 自驾方便，停车位足 D. 一线名牌多
E. 折扣力度大 F. 口碑好 G. 环境好 H. 其他

2. 您认为国内奥特莱斯普遍存在的问题是？（最多选三项）

- A. 公共交通不便 B. 地理位置不佳 C. 自驾不便，停车位不够
D. 名牌少，良莠不齐 E. 折扣少 F. 奥莱品牌效应不足
G. 环境差 H. 其他

3. 在北京您还知道其他哪些奥特莱斯购物中心？

- A. 燕莎奥莱 B. 赛特奥莱 C. 斯普瑞斯奥莱
D. 活力东方奥莱 E. 其他 F. 不知道

单选

4. 您认为北京奥特莱斯购物中心数量？

- A. 太多 B. 太少 C. 适中 D. 不好说

5. 您来自？

- A. 东/西城区，崇文区或宣武区 B. 朝阳区 C. 海淀区
D. 丰台区或石景山区 E. 门头沟区 F. 大兴区
G. 房山区 H. 北京其他区县 I. 其他城市

6. 您的交通方式是？

- A. 地铁 B. 公交车 C. 自驾车 D. 步行 E. 骑车 F. 其他

再次感谢您的合作！

Note

ⁱ <http://finance.chinanews.com/house/2014/06-27/6328161.shtml>

ⁱⁱ The Law of Land Administration of the People's Republic of China;
Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-Owned Land in the Urban Areas;
Urban Real Estate Administration Law of the People's Republic of China.

ⁱⁱⁱ The Chinese and English versions of the survey are attached in the Appendix.

^{iv} According to the searching result from www.dianping.com, the most popular crowd-sourced reviews about local business.

^v <http://outletscn.com/outlets/walkthrough/2013/07/3165.html>

^{vi} Liu (2009), http://www.bj.xinhuanet.com/bjpd_sdzx/2009-04/27/content_16367120.htm

^{vii} Oriental Outlets official website: http://www.bjoutlets.com/index.php?t=scjj_idx

^{viii} Government official website of Shunyi District, Beijing:
<http://www.bjshy.gov.cn/Item/51024.aspx>

^{ix} www.dianping.com